

Exhibit A

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Crouching Tiger, Hidden Raj

Earlier this year, Raj Rajaratnam, founder of the Galleon Group hedge fund, was convicted of conspiracy and securities fraud in one of the biggest insider-trading cases in the history of Wall Street. But there was another reason the federal government was interested in Rajaratnam—his alleged financial support for Tamil separatists in Sri Lanka, whose cause is spearheaded by the ferocious Tamil Tiger terrorists. *Vanity Fair*'s David Rose gets the untold story from a Tamil Tiger turned F.B.I. informant.

By David Rose



BY LAKRUWAN WANNIARACHCHI/AFP/GETTY IMAGES; INSET, BY SHANNON STAPLETON/REUTERS.

FRIENDS WITH BENEFITS Left, Convicted insider trader and former Galleon hedge-fund founder Raj Rajaratnam at the Manhattan Federal Courthouse in New York, in April 2011. Inset, members of Sri Lanka's Tamil Tigers.

In November 2002, the Doubletree hotel in Somerset, New Jersey, hosted a daylong gala: lunch, speeches, dinner, more speeches, and finally dancing. There were more than 400 guests, and they were all there to mark the 25th anniversary of the Ilankai Tamil Sangam, ostensibly a cultural and social organization. Many of its members supported the demand by Sri Lanka's Tamil minority for an independent state, and although the Sangam was not avowedly militant, the flags and videos of the movement's military wing, the Liberation Tigers of Tamil Eelam (L.T.T.E.), were on display throughout the hall. The Tamil Tigers, as the group is known, were then in the 19th year of a civil war against the Sri Lankan government. Designated a terrorist organization by the U.S. State Department in 1997, the Tamil Tigers invented the suicide-bombing belt, a technology it exported to Hamas and al-Qaeda. The Tigers were responsible for hundreds of suicide attacks on buses, temples, and shopping malls, and for village massacres in which children were killed in front of their parents. In May 1991, the Tigers assassinated the former Indian prime minister Rajiv Gandhi. Two years later, they assassinated the Sri Lankan president, Ranasinghe Premadasa.

One of the distinguishing features of the Tamil Tigers is that the group was mostly financed from abroad by the large Tamil diaspora. Many of its donors were eminently respectable, and worked in America, Canada, Australia, and Europe in professions such as medicine and the law. And so at about seven p.m., it fell to a hospital anesthesiologist to introduce the Doubletree event's star speaker, Raj Rajaratnam, a corpulent Tamil whose Galleon Group hedge fund had already made him the world's richest Sri Lankan. His net worth would eventually reach a reported \$1.8 billion.

Unbeknownst to Rajaratnam, his audience that night included an F.B.I. informant equipped with a concealed recording device. The informant, whom I will call by one of his nicknames, Rudra, would eventually make thousands of hours of clandestine recordings in the course of his 11-year undercover career, and the Department of Justice has used them as the basis of 20 successful criminal prosecutions. Rudra says his memory of what Rajaratnam said at the gala is clear, and it is supported by his former F.B.I. handlers, who heard the recordings when they were made. "He got up and, flanked by L.T.T.E. flags, he said, 'Everyone must support the Tigers' cause,'" Rudra recalls. "He mentioned the fact that his wife was an Indian Sikh [a minority group from which some had also mounted a terrorist campaign aimed at creating a separate state]. Rajaratnam said: 'They're terrorists. We're terrorists. We are all freedom fighters.' Everyone laughed. Then he added: 'They're our terrorists, and you all must support this struggle.'"

Rudra says that Rajaratnam sounded all the more persuasive because his own generosity was well established. For example, a few were aware within the Tamil community that Rajaratnam apparently had given the Tamil cause at least \$1 million in recognition of the Tamil victory in 2000 over the Sri Lankan army at the strategic Elephant Pass, which controls access to Sri Lanka's northern peninsula, where ethnic Tamils are concentrated. (John M. Dowd, a partner at the law firm of Akin Gump Strauss Hauer & Feld, which represents Raj Rajaratnam, said that Rajaratnam has never directly supported L.T.T.E. terrorism. He declined to answer specific questions from *Vanity Fair*, saying that he had nothing to add to the position already set out on behalf of his client in court filings.)

In May 2011, Raj Rajaratnam was convicted in New York on 14 counts of conspiracy and securities fraud in one of the biggest hedge-fund insider-trading cases in the history of Wall Street. The trial revealed how Rajaratnam developed a web of corrupt relationships and paid millions of dollars for insider tips that enabled him to beat the market time and again. But throughout the two-month hearing, prosecutors said nothing about one of the uses to which Rajaratnam allegedly put his criminally acquired fortune—funding Tamil terrorism.

Jay Kanetkar, who was Rudra's main F.B.I. handler from 1999 until he left the bureau in June 2006, says that Rajaratnam's alleged involvement with terrorism was a significant factor in why the F.B.I. and the Department of Justice went to such extraordinary lengths to nail him. "It was a conscious decision," Kanetkar says, "to treat Raj the terrorist the way they treated Al Capone when they got him for tax evasion."

The money trail that leads to Rajaratnam begins in a federal prison in Buffalo, New York, early in 1999. Jay Kanetkar and an F.B.I. colleague, both with the Joint Terrorism Task Force in Newark, New Jersey, happened to be looking for a new case to work when they got a call from an agent in the Immigration and Naturalization Service named Kevin Ryan. He said that Rudra was coming to the end of a five-year prison term imposed for storing two kilograms of heroin in a suitcase at his home on Staten Island as part of a drug-smuggling operation organized by the Tamil Tigers to raise money. A Sri Lankan citizen, now he was due to be deported. That fact, Ryan suggested, might give the F.B.I. some leverage to persuade Rudra to become an informant. Rudra, whose mild, slightly bumbling exterior conceals an evident sangfroid, was then in his mid-thirties, and he readily agreed. Although he had been drawn into the Tamil Tiger orbit while studying in India, and had even met its murderous leader, Vellupillai Prabhakaran, he says now that his commitment to their cause had only ever been lukewarm. And he was angered by the group's failure to check on his family while he was in prison. Rudra says, "So I decided: I'm going to bring them down."

Soon after being recruited by the F.B.I., Rudra met one of the Tigers' leading international fund-raisers, Vijayshanthar Patpanathan, also known as Chandru, who told him that Rajaratnam was a "high-level business guy" who played a critical role in funding the terrorist group. (Chandru was later convicted and jailed by a New York federal court for conspiring to provide material support to a foreign terrorist organization, as a result of information supplied by Rudra.) "Three years before that 2002 fund-raiser, Rajaratnam was identified by Rudra as a major source," says Kanetkar. Rudra also told the F.B.I. that Raj's father, Jesuthasan Rajaratnam, a wealthy financial manager in his own right, was another generous donor. Father and son had set up the Rajaratnam Family Foundation, to support charitable causes in Sri Lanka and elsewhere. But it was also a clandestine

financial channel for the Tamil Tigers, recent court filings allege. (John M. Dowd, who represents Jesuthasan Rajaratnam as well as his son, Raj, had no comment on specific questions regarding the allegations, but he did say that neither man had ever directly supported the L.T.T.E.)

For Rudra, meeting Tiger operatives was not difficult: they were often on hand at social functions, such as those organized by the Sangam. The challenge for him and the F.B.I. was to build his credibility. The ruse his handlers devised was for Rudra to intimate that he had had contact with top Mafia figures in prison, and that through them he had access to corrupt U.S. officials. These, he suggested, could get things done for the Tamil Tigers—such as smuggle Tamils who lacked proper visas into the United States. Beginning in the fall of 2001, Chandru paid Rudra \$6,000 a head in order to arrange safe passage at Newark International Airport for at least nine such individuals, whose entry was coordinated between the F.B.I. and the I.N.S. Rudra used his supposed “contacts” again, in April 2004, when Chandru told him that Father Gaspar Raj, a Catholic priest who was also a key Tamil Tiger member, had been detained by federal agents at Newark and was about to be deported. Rudra says: “I called Jay Kanetkar and said he should get him out, and he did.”

Prabhakaran ran the Tamil Tigers abroad on classic, cellular lines, with each group operating independently and unaware of the others’ activities. But Rudra’s standing rose so high that he became an exception, the trusted go-to guy for every Tiger cell in America. “I’ve seen the e-mails,” he says. “They thought I could do anything.” Eventually, he was working with four separate cells, which were variously attempting not only to raise money but to arrange supplies of weapons, including surface-to-air missiles. (The would-be arms smugglers were also arrested and convicted on the basis of Rudra’s testimony.) Meanwhile, says Kanetkar, “he had four concealed video cameras in his living room, plus two in the kitchen. We had every angle covered.” Every time Rudra spoke on the phone or met a contact, the conversation was recorded.

Occasionally there were hiccups, such as the time a recording device fell out of Rudra’s pocket in front of Chandru—“I told him it was a pager,” Rudra says. His reassurance must have worked, for in August 2003 he accompanied Chandru to Sri Lanka. There had been a cease-fire, and they were able to travel from the capital, Colombo, to Vanni, the fortress housing 300,000 people that the Tamil Tigers had built from scratch in the island’s northern jungles. Vanni had underground bunkers for advanced computers and communications equipment as well as two fully equipped subterranean hospitals. There Rudra met most of the Tamil Tigers’ senior leadership, wearing a concealed F.B.I. wire all the while.

By 2005, Rudra’s penetration of the Tigers’ network was so deep that the F.B.I. had acquired a comprehensive picture of the group’s fund-raising capability. Raj Rajaratnam’s name came up frequently. “On the recordings, he was spoken of in a reverential way, with all the kudos he got as a financial whizz,” says Kanetkar. “At the same time, he wasn’t a commoner, which is why it was hard for Rudra to get close to him. He was reserved for the big stuff.” For example, in September 2005, two Tamil Tiger members were duped by the F.B.I. In an attempt to have the Tigers removed from the government terrorism list, they agreed to pay \$1 million to two “corrupt State Department officials” (in reality, F.B.I. agents) whom Rudra had introduced them to. The Tamils went straight from that meeting to Rajaratnam’s house, apparently to arrange to get the money, according to Rudra and Kanetkar.

“Rudra told us that the L.T.T.E. had given Raj a very large sum of money for him to invest in the Galleon fund,” says Kanetkar. “It was clear that the Tigers did have that kind of money. They were raising \$1 million every time they held a function, and also going door to door—extorting people to pay thousands of dollars for the next wave of operations.” Kanetkar and his counterterrorist colleagues had been aware of evidence that Rajaratnam was using illegal insider information since 2001, when wiretaps caught an executive from the Intel Corporation offering him insider tips. The F.B.I. saw the two endeavors—terrorism and insider trading—as connected, says Kanetkar: “Money from insider trading was going into his pocket, and money from his pocket was going to the L.T.T.E.”

For the Tamil Tigers, possibly the most damaging consequence of Rudra’s work undercover was the eventual closure by the authorities of the group’s main fund-raising “front” charities, not only in America but elsewhere, including Britain, where Rudra, accompanied by Kanetkar, shared his knowledge with the British Security Service, M.I.5. “This had a measurable impact on the course of the war,” says a former Department of Justice official. “It significantly weakened their capacity to fight.” The Tigers’ last stand came in April 2009, when the Sri Lankan army finally overran Vanni, killing not only Prabhakaran but, allegedly, thousands of noncombatants.

Of the Tamil front groups, the biggest was the Tamil Rehabilitation Organization (T.R.O.), which was active in 17 countries. Its assets were frozen by the U.S. Treasury in November 2007. Rudra’s secret recordings included detailed accounts by Tiger leaders of how money was transferred from the T.R.O. to the terrorist group itself, and in this case there is a copious documentary record of the role played by Rajaratnam. An affidavit filed in April 2007 by the F.B.I.’s special agent Louis Forella states that the banking records of “individual B”—Rajaratnam, according to court filings—show that “[he] wrote three checks totalling \$1,000,000 between July and September 2000” that eventually made their way to a T.R.O. account in London, from which much of the money was later withdrawn in cash. The affidavit also cites letters from a later-convicted Tamil Tiger fund-raiser named Karunakaran Kandasamy about the need to fulfill

Rajaratnam's "long lasting desire" to meet Prabhakaran, describing the Galleon Group founder as "among the people who provide financial support for our struggle for freedom. . . . [He] has been working actively on the forefront."

Court filings in a pending civil action against Rajaratnam, being brought by Tamil Tiger victims, more than 30 of their families cite a State Department cable dated October 2006 from James R. Moore, the deputy chief of the mission of the U.S. Embassy in Colombo, which was copied to the Treasury Department, the Department of Homeland Security, and the F.B.I. Moore described his dealings with Sri Lankan officials on Tamil Tiger financing, and quoted reports from the local central bank's financial intelligence unit and the ministry of foreign affairs on the T.R.O. and its influx of funds from America (more than from any other country). "Of these remittances from the U.S., the [Rajaratnam] family is the largest private donor," the cable said. In the period January 2003 to March 2006, according to one of the reports cited by Moore, the T.R.O. in Sri Lanka received nearly \$10 million from its affiliate in America, a trend that was continuing, with \$566,000 sent in the single month of August 2006. Overall, the Rajaratnam foundation was contributing more than 35 percent. The cable added: "These funds have been received from the T.R.O. office registered in Cumberland . . . Maryland, which is the entity that is presently being investigated by the U.S. authorities"—the investigation spearheaded by Rudra—"with regard to arms purchases for L.T.T.E." When it finally shut the T.R.O. down, the U.S. Treasury stated that the organization had "facilitated L.T.T.E. procurement operations" including "the purchase of munitions, equipment, communication devices, and other technology."

Tax and bank records confirm the scale of Rajaratnam's support. In the course of 2003, he gave \$5.05 million to his family foundation, which in turn passed on \$5 million to the T.R.O. In June 2004, the court filings state, he gave another \$1 million directly to the T.R.O. At the end of that year, the Indian Ocean tsunami devastated coastal Sri Lanka. Rajaratnam responded by setting up another charity, Tsunami Relief, Inc., which made appeals to the public and was administered by two of his staff at the Galleon Group headquarters, in New York. In all it raised more than \$7 million. While money did go to the Sri Lankan government, nearly half of it was given to the T.R.O. in the U.S. and in Sri Lanka. (Court filings lodged on behalf of Raj Rajaratnam and his father say that while it is true that they gave large donations to the T.R.O., they were unaware that the T.R.O. was channeling money to the L.T.T.E.)

Rajaratnam gave few interviews before his arrest, in September 2009. But just a month before, he told a Sri Lankan business magazine that he was proud of his "humanitarian work in Sri Lanka," saying that in the future, he would like to do more. (By this time, the Tigers had been defeated.) "I'm a firm believer that with success comes responsibility and the incredible power of possibility," he said, "a responsibility to help those less fortunate and the possibility of actually succeeding in making a difference." Rajaratnam's criminal lawyers have told reporters he should receive a lenient sentence for his insider-trading crimes because of his charitable generosity. He is due to be sentenced on October 13.

Could Rajaratnam have genuinely confused charitable works with financial support for terrorism? The evidence suggests he knew exactly what he was doing. In 2001, on the Web site of the Tamil Sangam, the organization Rajaratnam addressed at the Doubletree, Rajaratnam's father provided the research for statements that set out the association's credo: "The L.T.T.E. is a freedom movement. Historically, freedom movements have been labelled as terrorist organizations by the oppressors. From George Washington to Mahatma Gandhi to Nelson Mandela, all freedom fighters have been called terrorists . . . L.T.T.E. has not engaged in any killing that is not justifiable in the context of war."

Understandably, that's not how Mike Elsner, the attorney from Charleston, South Carolina, whose law firm, Motley Rice, has filed a claim against Rajaratnam, his father, and the T.R.O., on behalf of Tamil Tiger victims, sees the matter. Insider trading is not exactly a victimless crime, but to work out who is doing the suffering involves calculations that verge on the hypothetical. Elsner's clients, in contrast, suffered concretely and very directly. In his office he showed me a video compiled from interviews he had conducted in Sri Lanka. They're heartbreaking. Parents—some of them, in Sri Lanka's multicultural society, Tamil themselves—talk about losing their children in horrifying circumstances, such as the destruction of a high-school baseball team caught in a blast at a Colombo railway station, or a young couple blown up two months before their wedding, and who were buried in the clothes they never got to wear at the ceremony. "This is what Rajaratnam was paying for," Elsner says. In the response filed to the victims' lawsuit, Rajaratnam's lawyers state that there is "no connection" between Rajaratnam's donations to the T.R.O. and the harm suffered by the claimants, adding that there is no evidence he ever sponsored acts of violence.

Under U.S. law, you don't have to prove that money a person gave to an entity that funded terrorism was actually spent on bombs and bullets: it's enough to show that the recipient body did in fact use some of its funds for terrorist purposes. The suit, which was filed in federal court in New Jersey, has already cleared its initial legal hurdles, with the court accepting jurisdiction and upholding it as a claim for crimes against humanity. The suit is asking for damages of an unspecified amount. Rajaratnam will almost certainly go to prison as a result of his conviction in the Galleon case. If he ever gets out of jail, he may not still be so rich.

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